

**ENDICOTT SCHOOL DISTRICT NO. 308**  
**Whitman County, Washington**  
**September 1, 1994 Through August 31, 1995**

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**Schedule Of Federal Findings**

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1. Costs Included In Federal Grant Reimbursement Requests Should Be Adequately Supported

During the review of expenditures included in reimbursement requests for the district's Title III, Goals 2000: Educate America Act grant (CFDA 84.276), we noted the following exceptions:

- a. Expenditures for contractual services charged to the grant were not supported by signed contracts or original vendor invoices. Most payments were supported only by a requisition prepared by the grant administrator.
- b. Salary and benefits charged to the grant were not supported by time and attendance records.

U.S. Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State and Local Governments*, Attachment A, Section C, Item 1. - Factors affecting allowability of costs states in part:

To be allowable under a grant program, costs must meet the following general criteria:

- d. Be consistent with policies, regulations, and procedures that apply uniformly to both federally assisted and other activities of the unit of government of which the grantee is a part.

Attachment B, Section B, Item 10. - Compensation for personal services:

- b. Payroll and distribution of time. Amounts charged to grant programs for personal services . . . will be based on payrolls . . . Payrolls must be supported by time and attendance or equivalent records for individual employees. Salaries and wages of employees chargeable to more than one grant program or other cost objective will be supported by appropriate time distribution records.

The "Common Rule," OMB Circular A-102, *Uniform Administration Requirements For Grants And Cooperative Agreements To State And Local Governments*, Subpart C, states in part:

(2) **Accounting records.** Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities.

(3) **Internal Control.** Effective control and accountability must be maintained for all grant and subgrant cash, real and personal property, and other assets.

In addition, the *Revised Code of Washington* (RCW) 43.09.200 states in part:

The system shall exhibit true accounts and detailed statements of funds, collected, received and expended for account of the public for any purpose whatever, and by all public officers, employees or other persons . . . The accounts shall show . . . all receipts, vouchers, and other documents kept or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

Although the district has a system in place that meets federal and state requirements, the grant administrator did not adhere the established policies and procedures. Documents received during the audit from the grant administrator's personal files were adequate to substantiate all but \$3,800 of contractual services. Substantiation for the grant administrator's substitute pay and benefits charges to the grant of \$2,250 was not readily available. The grant administrator's disregard for established policies and procedures resulted in questioned costs of \$ 6,050.

We recommend that grant administrators adhere to established district policies and procedures and adequately support costs included in grant reimbursement requests. We further recommend district officials consult the Superintendent of Public Instruction to resolve this issue.